


AR01

SL

# 1970

ANNUAL REPORT

THE   
HAMILTON  
GROUP  
LIMITED



Digitized by the Internet Archive  
in 2023 with funding from  
University of Alberta Library

[https://archive.org/details/Hami0031\\_1970](https://archive.org/details/Hami0031_1970)

# THE HAMILTON GROUP LIMITED

(FORMERLY THE HAMILTON COTTON COMPANY, LIMITED)

## HEAD OFFICE:

270 Sherman Avenue North  
HAMILTON, Ontario

## DIRECTORS:

Alan V. Young Chairman of the Board The Hamilton Group Limited	Hamilton, Ontario
William H. Young President The Hamilton Group Limited	Ancaster, Ontario
E. Glover Howe Vice-President and Secretary Treasurer The Hamilton Group Limited	Ancaster, Ontario
Gordon B. Lawrence Senior Vice-President Cosmos Imperial Mills, Limited	Winona, Ontario
Lincoln S. Magor President Mimik Limited	Galt, Ontario
Robert N. Steiner Senior Partner A. E. Ames & Company	Ancaster, Ontario
Alan B. Young President North America Business Equipment Limited	Ancaster, Ontario
David M. Young Chairman of the Board North America Business Equipment Limited	Toronto, Ontario
James M. Young Vice-President The Hamilton Group Limited	Hamilton, Ontario

## OFFICERS:

Alan V. Young	Chairman of the Board
William H. Young	President
Alan B. Young	Vice-President
David M. Young	Vice-President
James M. Young	Vice-President
Paul A. Southall	Vice-President
E. Glover Howe	Vice-President and Secretary Treasurer

## REGISTRAR, TRANSFER AGENT AND TRUSTEE FOR BONDHOLDERS, DEBENTUREHOLDERS AND SHAREHOLDERS:

Canada Permanent Trust Company  
Toronto, Ontario

## BANKERS:

Canadian Imperial Bank of Commerce  
Hamilton, Ontario



# ANNUAL REPORT OF DIRECTORS

To the Shareholders:

This is the first report incorporating the new name, The Hamilton Group Limited, although it is the forty-second Annual Report of the Company. This new name, together with the changed format of the report, reflects a basic change in direction of the Company. Commencing this year, a greater proportion of income will be derived from equipment leasing interests, both Canadian and International, than from textiles.

## FINANCIAL

Net income for the year ended March 22, 1970 was \$816,338. After providing for preferred dividends, this represents \$9.15 per share outstanding or \$6.76 per share on a fully-diluted basis (\$1.83 and \$1.35 respectively after giving effect to the 5 for 1 subdivision in June, 1970).

The income includes \$239,512 as the Company's share of undistributed profits of North America Business Equipment Limited and \$229,754 from international investments.

Also included in income for the year is the profit on the sale of the Maschinen Miete GmbH shares of \$1,211,933. This was offset for the most part by the revaluation of other securities and the costs of terminating other operations which do not form part of the long-term plans for the Company.

The arrangements with Cosmos Imperial Mills, Limited, reported to you last year, were completed during the year. In addition, a loan by Hamilton Group to North America Business Equipment was repaid. These items, together with cash earnings, allowed the bank loan to be reduced substantially.

## CANADA

### North America Business Equipment Limited (NABEL)

NABEL is the leading Canadian company in its field of office equipment leasing. As at March 22, 1969, Hamilton Group held 60.6% of the common shares and all of the convertible preferred shares of NABEL. This gave the Company a potential of 76.7% of the equity at a cost of \$1,997,730. In July, 1970, all of the remaining issued common shares of NABEL were purchased for \$684,000 in cash, and it became a wholly-owned subsidiary.

A financial summary of NABEL for the past seven years, including the year ended April 30, 1970, has been incorporated in this report. It sets out the results of a very successful year and NABEL'S impressive record of growth.

Highlights of NABEL'S latest year include an increase in net income of 87.7% over the previous year to \$386,814 (before preferred dividends of \$60,000), an increase of 26.1% in gross income and an increase of 52.9% to over \$15,000,000 of new leases written during the year.

This rate of growth is expected to continue during the current fiscal year, although it could be affected by a general shortage of funds and high borrowing costs.

### The Medi-Dent Service Limited (MDS)

This company, which has just completed its eighth year of operations, specializes in the leasing of equipment to the medical and dental professions. In July, 1970, the Hamilton Group offered to acquire all of the common shares of MDS for cash or shares of Hamilton Group. At the time of writing, this transaction had not been completed, but it appears that MDS will become a wholly-owned subsidiary. A financial summary of MDS for the past seven years is included with this report.

Highlights of the very successful year ended April 30, 1970 for MDS include the net income of \$142,782 (before preferred dividends of \$51,594), an increase of 47.6% over the previous year; an increase of 30.0% in gross income; and an increase of 42.5%, to over \$5,500,000 of new leases written during the year.

As with NABEL, these rates of growth are expected to continue during the present fiscal year but, again, the availability of money and its cost has a major effect on the operations of any leasing company in a growth market.

## Real Estate

The Hamilton Group owns approximately 6 acres of land in Dundas, Ontario, which was previously the location of a textile plant, but now unused. It is in a desirable area for residential development, although this requires re-zoning and other changes. While there are no firm plans for the development of this property, proposals are under active study.

During the year, The Hamilton Group purchased land and buildings fronting on Barton Street, a major east-west artery, which were adjacent to present land holdings in Hamilton. This completes a land parcel of almost 6.7 acres in central Hamilton, owned by Hamilton Group. While this property is subject to rental arrangements until March, 1976, it will be available for sale or development thereafter.



## Textiles

The Narrow Fabrics Division of The Hamilton Group had a successful year. Operations should continue to be profitable in 1970, although the present slowdown in the Canadian economy has resulted in a reduction in sales, to date, from the similar period a year ago.

The Hamilton Group owns 100,000 shares, or 20%, of the issued capital of Cosmos Imperial Mills, Limited which are valued at market at March 22, 1970. Cosmos reported a loss for its year ended December 31, 1969 and operations are continuing at a loss. The recently announced textile policy of the Federal Government gives encouragement that the disruption to Canadian markets, caused by increasing imports of textiles from low-cost countries, will be contained. If this happens, Cosmos' operations could quite rapidly become profitable.

## INTERNATIONAL

### UNITED KINGDOM

#### Hamilton Leasing Limited

The Hamilton Group owns 30.7% of the outstanding common shares of Hamilton Leasing Limited which carries on a leasing business in the United Kingdom similar to that of NABEL in Canada. Included in the income for the year of Hamilton Group is \$108,465 representing the equivalent of a stock dividend received from Hamilton Leasing. This investment is carried at a total value of \$667,850 at March 22, 1970.

Hamilton Leasing's growth has been similar to that of NABEL, since it began in 1962. Preliminary figures indicate a net income of £340,000 before preferred dividends of £51,064, for the year ended May 30, 1970. The income of this company is not yet taxable because of an accumulation of past investment allowances available under United Kingdom tax regulations. It is anticipated that Hamilton Leasing will become taxable in 1971 and this will slow its rate of profit growth for one to two years. Beyond that, its net profit should show the same type of rapid growth that it has achieved in the past.

### FRANCE

#### Societe de Gestion de Biens d'Equipment (SOGEBE)

SOGEBE carries on a leasing business in France similar to that of NABEL in Canada. The Hamilton Group owns 25% of its common shares. During the year, SOGEBE increased its capital. The Hamilton Group increased its investment in SOGEBE by \$73,762 to a total of \$206,458, in order to maintain its share of the equity.

SOGEBE paid an initial dividend in cash in 1969 of 5 F. per share and the amount of \$3,909 received by Hamilton Group was taken into its income.

SOGEBE has announced a dividend of 6 F. per share for this year and future increases are expected.

SOGEBE'S growth has been similar to the other leasing companies, although its rate was slowed temporarily by severe financial restrictions imposed in France during the currency crisis there of 1968 and 1969.

### GERMANY

#### Hamilton Cotton GmbH

This coin laundry and dry cleaning operation showed a small loss in 1969. During the year, several unprofitable stores were disposed of, and three competitive stores acquired. These changes in locations should restore operations to a profitable level in 1970.

#### Maschinen Miete GmbH

The Hamilton Group sold its 29% interest in this company to the Westdeutsche Landesbank in December, 1969 as previously reported. Hamilton Group received dividends of \$38,701 for 1969 from Maschinen Miete which were included in income for the year.

Maschinen Miete had shown similar growth to Hamilton Leasing and SOGEBE since it was first started by the Hamilton Group in December, 1962. It was with some regret that Hamilton Group severed its interest in leasing in West Germany with the sale of its holding in Maschinen Miete, as the potential for future growth appeared exceptionally good. However, it seemed wise to sell out completely rather than become a very minor shareholder in a large leasing complex which was being put together by several West German banks.

### SPAIN

#### Alquiber S.A.

Alquiber transacted a record amount of new business in 1969, but more competitive conditions, referred to in last year's report, restricted profit growth to 6% over 1968. So far in 1970, leasing rates have been increased to restore margins, and profits are expected to be much higher for 1970. Financing conditions are again very difficult in Spain, and this will continue to limit Alquiber's profit growth. Hamilton Group owns 15% of this company at a cost of \$165,329.

### ITALY

#### SELMA

During the year, Hamilton Group participated in the founding of SELMA (Societa Esercizio Locazione Macchine Attrezzature S.p.A.). Hamilton Group acquired 16% of the shares at nominal cost, and the balance were purchased by Compass S.p.A., a subsidiary of Mediobanca. It will be some time before SELMA becomes profitable, but prospects are excellent.



## **BELGIUM**

### **Beneloca S.A.**

During the year, Hamilton Group sold its interest in Beneloca S.A. to Eurolease S.A., a subsidiary of Soci t  Generale, at approximately book value. Beneloca was not showing the rate of profit growth of the other leasing investments, and Hamilton Group was facing a major additional investment as most of its shares in Beneloca were only 20% paid. It was decided, therefore, to sell all of the shares in Beneloca to the majority shareholder, Eurolease, in preference to increasing Hamilton Group's investment in Belgium.

## **MEXICO**

### **IEOSA**

The Hamilton Group increased its ownership in Inter-americana de Equipos de Oficina, S.A. (IEOSA) of Mexico City from 25% to 80% by purchasing the interest of the majority shareholder. Since the date of this purchase, IEOSA has been completely reorganized and is in the process of being refinanced. It is expected that the major potential for office equipment leasing in Mexico will now be realized, and as an indication, sales volume has tripled in the last three months. However, with this reorganization and rapid expansion of sales, it is estimated that IEOSA will remain in a loss position for the next twelve to eighteen months. With the rapid growth of population and gross national product of Mexico, plus a stable currency, the prospect is excellent for IEOSA to develop into a major company in the office equipment leasing field.

## **BAHAMAS**

### **Hamilco Holdings Limited**

Hamilco Holdings Limited is a wholly-owned subsidiary of the Hamilton Group. Its financial statements are consolidated with those of the parent company. Hamilco owns some of the Hamilton Group investments in non-Canadian companies.

## **FUTURE**

The current year will see a continuation and consolidation of the changes in the Company's affairs, which began with the disposal of most of its textile interests. To date, North America Business Equipment Limited has become wholly-owned, and The Medi-Dent Service Limited is being acquired. These two subsidiaries are expected to add materially to the growth of Hamilton Group's future profits.

At the forthcoming meeting, shareholders will be asked to approve a change in the Company's year end to April 30, the same year end as NABEL and MDS. It is planned that an interim statement to shareholders will be released as of October 31, 1970. Quarterly statements will be released thereafter as part of a plan to improve communications with the public.

Shareholders will also be asked to approve an application for an increase in the authorized common share capital of the Company. While there are no present plans for the use of these additional treasury shares, it is considered advisable to have them available.

By order of the Board of Directors.

W. H. YOUNG,  
President.

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of The Hamilton Group Limited (formerly The Hamilton Cotton Company, Limited) and subsidiaries as of March 22, 1970 and the consolidated statements of income, earned surplus, contributed surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company and subsidiaries at March 22, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Peat, Marwick, Mitchell & Co.*

Chartered Accountants.

Hamilton, Ontario,  
July 27, 1970.

# THE HAMILTON GROUP LIMITED AND SUBSIDIARIES

(FORMERLY THE HAMILTON COTTON COMPANY, LIMITED)

## CONSOLIDATED BALANCE SHEET

MARCH 22, 1970

### ASSETS

#### Current assets:

Cash . . . . . \$ 1,476,079

#### Notes and accounts receivable:

Trade . . . . . \$ 586,347

Other . . . . . 72,349

658,696

Marketable securities, at approximate market value . . . . . 250,000

Income taxes recoverable . . . . . 5,326

Inventories (note 3) . . . . . 819,711

Deposits and prepayments . . . . . 31,212

Deposit with the trustee for the bond holders (note 6) . . . . . 107,369

Total current assets . . . . . 3,348,393

Mortgages and accounts receivable . . . . . 57,704

#### Investments and advances (notes 2 and 4):

Subsidiary companies not consolidated . . . . . 2,244,728

Other . . . . . 1,197,951

3,442,679

#### Fixed assets less accumulated depreciation (note 5):

#### Buildings, machinery and equipment:

Under lease . . . . . 2,629,694

Other . . . . . 1,427,265

4,056,959

Less accumulated depreciation . . . . . 1,248,212

2,808,747

Land . . . . . 325,894

3,134,641

\$ 9,983,417

See accompanying notes to consolidated financial statements.



# THE HAMILTON GROUP LIMITED AND SUBSIDIARIES

(FORMERLY THE HAMILTON COTTON COMPANY, LIMITED)

## CONSOLIDATED BALANCE SHEET

MARCH 22, 1970

### LIABILITIES AND SHAREHOLDERS' EQUITY

#### Current liabilities:

Due to bank, secured by receivables, inventory and the deposit of certain securities . . . . .	\$ 968,000
Notes and accounts payable and accrued expenses (\$42,364 secured by equipment) . . . . .	414,345
Taxes other than on income . . . . .	15,230
Dividends payable . . . . .	15,745
Current portion funded debt (note 6) . . . . .	25,000
Due to subsidiary, not consolidated . . . . .	6,447

Total current liabilities . . . . .	1,444,767
-------------------------------------	-----------

Mortgage and notes payable secured by real estate and equipment . . . . .	29,613
---	--------

Note payable to a subsidiary not consolidated . . . . .	105,000
---	---------

Funded debt less current portion (note 6) . . . . .	1,450,000
---	-----------

#### Shareholders' equity:

##### Capital stock (note 7):

##### Preferred shares:

Series "A" . . . . .	\$ 269,600
----------------------	------------

Series "B" . . . . .	825,000
----------------------	---------

Common shares . . . . .	1,320,000
-------------------------	-----------

---

2,414,600

Contributed surplus . . . . .	176,632
-------------------------------	---------

Earned surplus (note 8) . . . . .	4,362,805
-----------------------------------	-----------

---

6,954,037

#### Contingent liabilities (note 10)

#### On behalf of the Board:

W. H. YOUNG, Director

E. G. HOWE, Director

---

\$ 9,983,417

---

# THE HAMILTON GROUP LIMITED AND SUBSIDIARIES

(FORMERLY THE HAMILTON COTTON COMPANY, LIMITED)

## CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED MARCH 22, 1970

Sales and rental income . . . . .		\$ 4,413,739
Income from operation before the undernoted items . . . . .		\$ 773,272
Income from North America Business Equipment Limited:		
Share of undistributed earnings . . . . .	\$ 239,512	
Dividends . . . . .	60,000	
Interest on notes . . . . .	88,272	
		387,784
Other investment income . . . . .		259,754
		1,420,810
Deduct:		
Depreciation . . . . .	385,050	
Interest on funded debt . . . . .	115,314	
Other interest . . . . .	242,800	
		743,164
Operating income . . . . .		677,646
Other gains and (losses):		
Net gain on sale of securities . . . . .	1,213,584	
Revaluation of investments . . . . .	(864,737)	
Non-recurring terminal costs of a subsidiary operation . . . . .	(205,294)	
		143,553
Income before income taxes . . . . .		821,199
Income taxes (note 11) . . . . .		4,861
Net income . . . . .		\$ 816,338
Earnings per share (note 12):		
Dividends paid . . . . .		\$ .80
Undistributed earnings . . . . .		8.35
		\$ 9.15

Note: Remuneration of directors and senior officers included in the above statement amounts to \$63,500 of which \$57,000 applies to directors.

See accompanying notes to consolidated financial statements.



(FORMERLY THE HAMILTON COTTON COMPANY, LIMITED)

## YEAR ENDED MARCH 22, 1970

YEAR ENDED MARCH 22, 1970

See accompanying notes to consolidated financial statements.

# THE HAMILTON GROUP LIMITED AND SUBSIDIARIES

(FORMERLY THE HAMILTON COTTON COMPANY, LIMITED)

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED MARCH 22, 1970

### Source of funds:

#### From operations:

Net income . . . . .	\$ 816,338
----------------------	------------

#### Non-cash items:

Depreciation . . . . .	\$ 385,050
Revaluation of non-current investments . . . . .	83,183

	468,233
Deduct investment income not realized in cash . . . . .	347,977

120,256

936,594

Reduction in mortgages and notes receivable . . . . .	953,072
Proceeds from issue of common shares . . . . .	45,000

1,934,666

### Application of funds:

Increase in investments and advances . . . . .	687,379
Purchase of fixed assets . . . . .	266,746
Reduction of funded debt and other non-current liabilities . . . . .	138,887
Redemption of preferred shares, Series "A", less discount . . . . .	32,471
Dividends paid . . . . .	129,005

1,254,488

Increase in working capital . . . . .	\$ 680,178
---------------------------------------	------------

See accompanying notes to consolidated financial statements.



# THE HAMILTON GROUP LIMITED AND SUBSIDIARIES

(FORMERLY THE HAMILTON COTTON COMPANY, LIMITED)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 22, 1970

1. The name of the company was changed to The Hamilton Group Limited by Supplementary Letters Patent dated May 1, 1970.

2. The accounts of one major subsidiary, North America Business Equipment Limited, and four foreign subsidiaries have been excluded due to the different nature of their businesses. The accounts of two non-operating subsidiaries have also been excluded.

The subsidiaries not consolidated are carried at equity value as to \$2,012,204 and at cost as to \$73,598. In the aggregate the equity value increased by \$239,512 during the year and by \$225,039 since dates of acquisition.

Subsequent to March 22, 1970 North America Business Equipment Limited became a wholly-owned subsidiary. Also subsequent to March 22, 1970 the company has guaranteed bank loans of North America Business Equipment Limited to the extent of \$1,100,000.

3. Inventories include:

Narrow fabrics division .....	\$ 790,224
Machine division .....	29,487
	<u>\$ 819,711</u>

Inventories are valued at the lower of cost or replacement market for raw materials and work-in-process and at the lower of cost or estimated net realizable value for finished goods.

4. Investment and advances comprise:

Subsidiary companies not consolidated:	
Investment in shares (note 2) ....	\$2,085,802
Advances .....	158,926
	<u>\$2,244,728</u>
Other companies:	
Investment in shares .....	\$1,190,837
Advances .....	7,114
	<u>\$1,197,951</u>

The shares of one company included in other investment in shares are stated at \$667,850 which is cost plus the share of capitalized surplus.

The remaining shares are stated at cost as to \$522,986 and at nominal value of \$1. In the aggregate, based on the latest financial statements some of which are unaudited, the net underlying asset values of these investments exceeds the carrying value.

5. Buildings, machinery and equipment for other than the narrow fabrics division have been valued by the Board of Directors as of March 23, 1969 with subsequent additions at cost. The remaining land, buildings, machinery and equipment are stated substantially at cost.

6. Funded debt consists of:

8% First Mortgage sinking fund bonds due April 1, 1972 of which \$125,000 are required to be retired by way of sinking fund by April 1 in each year to 1971 .....	\$ 625,000
8¾% Sinking Fund debentures Series A due August 1, 1983. The sinking fund provisions require the retirement of \$25,000 on August 1 in each year to 1971 and \$200,000 on March 1 in each of the years 1973 to 1976 inclusive .....	850,000
	<u>\$1,475,000</u>

Supplemental trust deeds provide for a proportion of the rentals receivable under lease agreements to be deposited with the Trustees for the bond holders and debenture holders, such funds to be applied against the respective interest and sinking fund requirements.

7. Preferred shares authorized, issuable in series, 50,000 shares of a par value of \$100 each.

Issued:

5% cumulative redeemable sinking fund preferred shares Series "A", after purchase for cancellation of 405 shares during the year, 2,696 shares .....	\$ 269,600
6% cumulative redeemable convertible preferred shares Series "B", less 750 shares converted into common shares during the year, 8,250 shares .....	<u>\$ 825,000</u>

The preferred shares Series "A" are redeemable at \$101 plus accrued and unpaid dividends. The company is required to provide \$15,000 (or less in certain circumstances) annually for the redemption of preferred shares which provision was fulfilled for the current year.

The preferred shares Series "B" may be redeemed at a premium of 6% up to May 15, 1970, the premium reducing thereafter in varying amounts to 1% on May 15, 1982. Each preferred share Series "B" shall be convertible at anytime on or prior to the close of business on May 15, 1977 (or if called for redemption prior to that date may be converted 3 days prior to redemption) at the conversion rate of 4 common shares for each preferred share Series "B" tendered for conversion.

Common shares of no par value. Authorized 200,000 shares; issued 84,500 shares including the issue during the year of 3,000 shares on conversion of Series "B" preferred shares and 1,500 shares for cash on the exercise of warrants. By supplementary letters patent dated May 1, 1970 the common shares authorized were subdivided into 1,000,000 shares of no par value.

33,000 common shares are reserved for conversion of preferred shares Series "B" and 6,500 common shares are reserved for issuance on the exercise of Series "A" warrants issued with the 8¾% sinking fund debentures Series A. These warrants entitle the holders thereof to purchase an aggregate of 6,500 common shares up to and including July 2, 1972 at a price of \$35 per share.

8. The Trust Deeds securing the funded debt contain restrictions on the payment of dividends if certain conditions are not met. \$159,500 of the earned surplus is restricted due to the redemption of preferred shares.
9. Assets and liabilities originating in foreign currencies have been translated on the following bases: current items at the rate of exchange in effect at March 22, 1970; other items at the rates in effect at the dates the transactions were completed. On May 31, 1970 the Canadian dollar was freed from its fixed exchange rate in relation to the U.S. dollar.
10. Contingent liabilities:  
As guarantor of bank loans, \$48,765. For notes receivable discounted with recourse, \$66,980. By assignment of leases to a maximum of \$97,650 annually to February 26, 1973.

A non-consolidated subsidiary has filed a notice of objection in respect of 1968 federal income tax assessments aggregating approximately \$51,500 for the 1966 fiscal year. The company is of the opinion that the assessments are without merit and accordingly no provision has been made in the accounts for these claims.

The Department of National Revenue has questioned the deductibility of certain rental payments made under sale and lease back transactions for the tax years 1964 to 1968 inclusive. These transactions commenced in 1962 and were accepted by the Department for that year and 1963. If re-assessments are made the additional income taxes after adjusting capital cost allowances will be approximately \$200,000 with interest. The company will object to any such re-assessment as in the opinion of management and counsel no additional taxes are exigible.

11. Current income taxes are payable by a subsidiary. Because of substantial amounts of non-taxable items included in income no income taxes are payable by the company or the other consolidated subsidiaries.
12. Fully diluted earnings per share:  
If it were assumed that all of the Series "B" preferred shares outstanding at March 22, 1970 had been converted into common shares at March 23, 1969 and that the warrants to purchase shares outstanding at March 22, 1970 had been exercised at March 23, 1969 the earnings per share would have been:

Dividends paid .....	\$ .80
Undistributed earnings .....	5.96
	<hr/>
	<u>\$ 6.76</u>

In the fully diluted earnings per share calculation the assumption is made that warrants for the purchase of 6,500 shares had been exercised at \$35 and that the funds derived therefrom had been invested to produce an annual return of 9% or an imputed income of \$20,475. Income taxes are not applicable in this calculation (note 11).

13. Comparative financial statements are not presented as the comparison would not be meaningful due to the change in the nature of the company's operations.



For the information of The Hamilton Group Limited shareholders, financial figures for 1970 and past fiscal years for both North America Business Equipment Limited and The Medi-Dent Service Limited are tabled overleaf.

# NORTH AMERICA BUSINESS EQUIPMENT LIMITED

## BALANCE SHEET

SEVEN YEARS 1964 - 1970 INCLUSIVE  
(\$000's)

### ASSETS

	April 30 1970	April 30 1969	April 30 1968	June 30 1967	June 30 1966	June 30 1965	June 30 1964
Cash . . . . .	\$ 711	\$ 567	\$ 312	\$ 67	\$ 120	\$ 952	\$ 42
Leases Receivable . . . . .	24,019	17,759	14,965	13,009	13,959	11,404	7,296
Allowance for losses . . . . .	396	284	150	132	127	181	193
Unearned income . . . . .	5,908	4,013	3,042	2,256	2,451	2,095	1,431
Net leases receivable . . . . .	17,715	13,462	11,773	10,621	11,381	9,128	5,672
Estimated residual value of equipment . . . . .	1,261	742	380	104	63	16	—
Equipment purchased for lease commitments . . . . .	890	457	269	225	4	—	135
Other assets . . . . .	297	431	294	492	590	210	272
Fixed assets, net . . . . .	181	43	42	51	27	—	2
Deferred charges, net . . . . .	44	141	266	178	60	64	2
	<u>\$ 21,099</u>	<u>\$ 15,843</u>	<u>\$ 13,336</u>	<u>\$ 11,738</u>	<u>\$ 12,245</u>	<u>\$ 10,370</u>	<u>\$ 6,125</u>

### LIABILITIES AND SHAREHOLDERS' EQUITY

Short term secured debt . . . . .	\$ 11,127	\$ 9,308	\$ 8,830	\$ 7,532	\$ 7,738	\$ 6,458	\$ 3,700
Accounts and other items payable . . . . .	2,227	1,388	1,154	1,075	1,386	893	2,252
Long term secured debt . . . . .	3,100	809	—	—	—	—	—
Subordinated funded debt . . . . .	1,940	1,990	1,500	1,500	1,500	1,500	—
Deferred income taxes . . . . .	30	—	—	—	62	9	—
Shareholders' equity:							
Capital Stock—Preference . . . . .	1,000	1,000	1,000	1,050	1,050	1,050	100
—Common . . . . .	800	800	450	450	450	450	100
Retained earnings . . . . .	875	548	402	131	59	10	(27)
Total shareholders' equity . . . . .	2,675	2,348	1,852	1,631	1,559	1,510	173
	<u>\$ 21,099</u>	<u>\$ 15,843</u>	<u>\$ 13,336</u>	<u>\$ 11,738</u>	<u>\$ 12,245</u>	<u>\$ 10,370</u>	<u>\$ 6,125</u>



# NORTH AMERICA BUSINESS EQUIPMENT LIMITED

## STATEMENT OF INCOME AND RETAINED EARNINGS

SEVEN YEARS 1964 - 1970 INCLUSIVE  
(\$000's)

	April 30 1970	April 30 1969	April 30 1968 (10 months)	June 30 1967	June 30 1966	June 30 1965	June 30 1964
Lease income . . . . .	\$ 7,890	\$ 6,256	\$ 4,512	\$ 4,794	\$ 3,977	\$ 2,751	\$ 1,748
Recovery of leased equipment cost . . . . .	4,480	3,815	2,880	3,143	2,510	1,686	1,000
Other direct costs and revenues, net . . . . .	(28)	(18)	(12)	(1)	9	8	9
Earned income . . . . .	3,438	2,459	1,644	1,652	1,458	1,057	739
Operating expenses . . . . .	925	631	488	587	554	386	246
Provision for loss on lease contracts . . . . .	413	368	167	200	234	192	98
Cost of borrowed money . . . . .	1,308	922	572	606	516	389	293
Depreciation and amortization . . . . .	14	66	103	26	17	37	55
Operating income . . . . .	778	472	314	233	137	53	47
Non-recurring gains (losses), net . . . . .	2	—	150	(4)	—	—	—
Net income before income taxes . . . . .	780	472	464	229	137	53	47
Income taxes . . . . .	393	266	155	89	61	16	15
Net income for the year . . . . .	387	206	309	140	76	37	32
Retained earnings at beginning of year . . . . .	548	402	131	59	10	(27)	(58)
Gain on redemption of preference shares . . . . .	—	—	7	—	—	—	—
Dividends paid on preference shares . . . . .	60	60	45	68	27	—	1
Retained earnings at end of year . . . . .	\$ 875	\$ 548	\$ 402	\$ 131	\$ 59	\$ 10	(\$ 27)
Earnings per share . . . . .	\$ 1.13	\$ 0.61	\$ 1.43	\$ 0.38	\$ 0.26	\$ 0.31	\$ 0.28

# NORTH AMERICA BUSINESS EQUIPMENT LIMITED

## SEVEN YEAR SUMMARY AND STATISTICAL REVIEW

	1970	1969	1968 (10 months)	1967	1966	1965	1964
Leases receivable added (\$'000's)	15,642	10,228	7,248	4,661	7,935	8,364	4,143
Original cost of leased equipment (\$'000's) . . .	32,308	25,166	20,969	17,770	16,105	12,151	7,573
Unearned income to leases receivable (%) . . . .	24.6	22.6	20.3	17.3	17.6	18.4	19.6
Net losses to leases receivable (%) . . . .	1.26	1.62	4.06	1.07	1.02	.86	.53
Allowance for losses to leases receivable (%) . . . .	1.65	1.60	1.00	1.01	.91	1.59	2.65
Debt to leases receivable (%) .	76.7	76.0	76.7	77.7	76.6	77.7	81.6
Secured debt to leases receivable (%) . . . .	59.2	57.0	59.0	57.9	55.4	56.6	50.7
Secured debt less cash to net book value of leased equipment (%)	72.2	67.8	70.4	69.5	67.6	66.0	68.8
Operating expenses to earned income (%) . . . .	26.9	25.7	29.7	35.5	38.0	36.5	33.3
Cost of borrowed money to earned income (%) . .	38.1	37.5	34.8	36.7	35.4	36.8	39.7
Provision for loss on leased contracts to earned income (%) .	12.0	15.0	10.2	12.1	16.1	18.2	13.3
Net income before income taxes to earned income (%) . .	22.7	19.2	28.2	13.9	9.4	5.0	6.4
Average number of common shares outstanding . . .	290,000	240,000	190,000	190,000	190,000	120,000	112,500
Basic earnings per common share (\$) . . . .	1.13	.61	1.43	.38	.26	.31	.28
Book value per common share at year end (\$) . . . .	5.78	4.65	4.48	3.06	2.68	2.42	.61
Basic return per common share (%) . . . .	19.6	13.1	31.9	12.4	9.7	12.8	45.9
Number of employees at year end . . . .	81	46	41	40	45	38	23
Number of active leases . .	29,838	23,120	19,052	16,261	14,297	10,676	7,452
Average original cost of equipment per lease (\$) . .	1,072	1,055	1,122	914	1,169	1,339	966

# THE MEDI-DENT SERVICE LIMITED AND SUBSIDIARY

## CONSOLIDATED BALANCE SHEET

FOR THE SEVEN YEARS ENDED APRIL 30, 1970

(\$000's)

ASSETS	1970	1969	1968	1967	1966	1965	1964
Cash . . . . .	\$ 483	\$ 488	\$ 251	\$ 29	\$ 109	\$ 57	\$ 1
Leases and notes receivable . .	12,020	9,655	8,219	6,715	5,767	3,865	2,289
Allowance for losses . . .	180	146	71	77	38	10	—
Unearned income . . .	3,064	2,354	1,963	1,555	1,367	1,018	673
Net leases and notes receivable .	8,776	7,155	6,185	5,083	4,362	2,837	1,616
Equipment purchased for lease commitments . . .	375	125	132	31	72	243	63
Other assets . . . . .	83	39	35	60	19	17	109
Fixed assets, net . . . . .	62	28	20	16	11	12	4
Deferred charges, net . . .	37	24	28	19	—	—	—
Excess of cost of investment in subsidiary over equity therein at date of acquisition . .	5	5	5	5	5	5	5
	<u>\$ 9,821</u>	<u>\$ 7,864</u>	<u>\$ 6,656</u>	<u>\$ 5,243</u>	<u>\$ 4,578</u>	<u>\$ 3,171</u>	<u>\$ 1,798</u>

## LIABILITIES AND SHAREHOLDERS' EQUITY

Short term secured debt . . .	\$ 6,529	\$ 5,729	\$ 4,624	\$ 3,300	\$ 3,515	\$ 3,163	\$ 1,762
Accounts and other items payable . . . . .	108	108	64	56	124	8	12
Long term secured debt . .	790	—	—	—	—	—	—
Subordinated notes payable .	711	812	863	863	—	—	—
Deferred income taxes . . .	288	161	96	43	—	—	—
Shareholders' equity:							
Capital Stock:							
Preference shares . . .	860	860	860	860	860	—	—
Common shares . . .	279	29	29	28	1	—	—
Retained earnings . . .	256	165	120	93	78	—	24
Total shareholder's equity . .	1,395	1,054	1,009	981	939	—	24
	<u>\$ 9,821</u>	<u>\$ 7,864</u>	<u>\$ 6,656</u>	<u>\$ 5,243</u>	<u>\$ 4,578</u>	<u>\$ 3,171</u>	<u>\$ 1,798</u>



# THE MEDI-DENT SERVICE LIMITED AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE SEVEN YEARS ENDED APRIL 30, 1970

(\$000's)

	1970	1969	1968	1967	1966	1965	1964
Equipment rentals . . . . .	\$ 3,207	\$ 2,474	\$ 1,921	\$ 1,416	\$ 1,113	\$ 593	\$ 291
Recovery of leased equipment cost . . . . .	1,881	1,450	1,114	812	558	277	76
Other direct costs and revenue, net . . . . .	42	50	47	39	35	14	—
	<u>1,923</u>	<u>1,500</u>	<u>1,161</u>	<u>851</u>	<u>593</u>	<u>291</u>	<u>76</u>
Earned income . . . . .	1,284	974	760	565	520	302	215
Operating expense . . . . .	283	206	180	150	162	154	88
Provision for loss on lease contracts . . . . .	37	80	72	60	42	29	—
Cost of borrowed money . . . . .	676	482	363	233	213	140	76
Depreciation . . . . .	10	7	6	4	4	3	3
	<u>1,006</u>	<u>775</u>	<u>621</u>	<u>447</u>	<u>421</u>	<u>326</u>	<u>167</u>
Net income (loss) before income taxes . . . . .	278	199	139	118	99	(24)	48
Income taxes . . . . .	135	102	60	51	—	—	—
Net income for year . . . . .	143	97	79	67	99	(24)	47
Retained earnings (deficit) at beginning of year . . . . .	165	120	93	78	—	24	(23)
	<u>308</u>	<u>217</u>	<u>172</u>	<u>145</u>	<u>99</u>	<u>—</u>	<u>24</u>
Dividends paid on preference shares . . . . .	52	52	52	52	21	—	—
Retained earnings (deficit) at end of year . . . . .	<u>\$ 256</u>	<u>\$ 165</u>	<u>\$ 120</u>	<u>\$ 93</u>	<u>\$ 78</u>	<u>—</u>	<u>\$ 24</u>
Earnings per share . . . . .	44c	25c	15c	9c	not comparable		

## THE MEDI-DENT SERVICE LIMITED AND SUBSIDIARY

### FIVE YEAR SUMMARY AND STATISTICAL REVIEW

	1970	1969	1968	1967	1966
New leases receivable added (\$000's) . . .	5,572	3,910	3,425	2,364	3,015
Original cost of leased equipment (\$000's) . . .	13,588	10,519	8,255	6,158	4,687
Unearned income to leases receivable (%) . . .	25.5	24.4	23.9	23.1	23.7
Losses to leases receivable (%) . . . . .	—	.05	.95	.33	.54
Allowance for losses to leases receivable (%) . . .	1.50	1.51	.87	1.15	.66
Debt to leases receivable (%) . . . . .	66.8	67.8	66.8	62.0	57.2
Secured debt to leases receivable (%) . . . . .	60.9	59.3	69.7	49.1	57.2
Secured debt less cash to net book value of leased equipment (%) . . . . .	79.0	75.1	74.1	65.0	78.2
Operating expenses to earned income (%) . . .	22.1	21.3	23.9	26.6	31.0
Cost of borrowed money to earned income (%) . . .	51.9	49.2	47.8	41.6	40.9
Provision for loss on lease contracts to earned income (%) . . . . .	2.9	8.2	9.5	10.7	8.1
Net income before income tax to earned income (%) . . . . .	21.7	20.5	18.5	20.9	19.5
Average number of common shares outstanding . . .	204,973	177,517	177,117	147,840	123,529
Basic earnings per common share (\$) . . . . .	0.44	0.25	0.15	0.09	not comparable
Book value per common share at year end (\$) . . .	2.35	1.09	.84	.68	.64
Basic return per common share (%) . . . . .	18.7	22.9	17.8	14.7	not comparable
Number of employees at year end . . . . .	24	17	12	12	10
Number of active leases . . . . .	2,800	2,100	1,700	1,200	800
Average cost of equipment per lessee (\$) . . . . .	7,800	8,100	8,500	8,700	9,200









**THE**

**HAMILTON**

**GROUP**

**LIMITED**